



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN 1079 (1924)

OCT 04 1984

SUBJECT: Office of the Inspector General Audit - (4099-135-At)
Crop Security Interest and Agricultural Stabilization
and Conservation Service (ASCS) Assignments

TO: State Directors, Farmer Program Chiefs, District
Directors, and County Supervisors, FmHA

A recent review of Farmers Home Administration's control of income received by delinquent borrowers participating in Government programs completed by the Office of the Inspector General indicated that:

- (1) ASCS income was not reported and was not considered or documented when farm plans were developed for 1984 loans.
- (2) All of the farms on which a borrower had an interest in growing crops were not described on the Security Agreement.
- (3) Assignments were not taken (where permissible) on ASCS income.

Loan making regulations require that applicant/borrower's total operations be fully considered in making determinations on eligibility, security requirements and repayment ability. In providing management assistance to borrowers and applicants the County Supervisor is responsible, among other things, for planning for the appropriate use of income and observing priorities set forth in FmHA Instruction 1924, Subpart B, Section 1924.57(c)(4). This cannot be accomplished if all income is not considered in developing farm plans.

To insure the proper accounting and disposition of funds from the sale of PIK crops or cash payments received by FmHA borrowers who decide to idle part of their acreage in 1984 under the Reduced Acreage Program (RAP) or other Governments programs we recommend the following:

- (1) When developing 1984 and subsequent farm plans, all income from ASCS or other government payments must be considered. All borrower participation in ASCS or other Government programs must be documented in the case file. Unreported ASCS income must be considered in determining whether or not to make additional loans to a delinquent borrower in accordance with the policies set forth in AN 912 "Servicing Delinquent Farmer Program Loans in FY 1984" dated October 3, 1983. It is the County Supervisor's responsibility to check with ASCS to determine which borrowers are receiving payments.

EXPIRATION DATE: July 31, 1985

FILING INSTRUCTIONS:
Preceding FmHA Instruction
1924-B



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(2) The County Supervisor must check with ASCS offices to determine whether or not all lands being farmed by an applicant/borrower have been reported and are properly described on the Security Agreement.

(3) Assignments are required, (where permissible), when determined necessary by the County Supervisor, to collect FmHA indebtedness. Request that checks be made jointly to FmHA and the borrower.

(4) All State Offices are requested to contact their Office of General Counsel (UGC) for advice as to whether FmHA would have a lien on after-acquired property. Once this information is received, the county offices are to be notified of the results.

(5) Form FmHA 440-4, "Security Agreement (Chattels and Crops)," has been revised to add "accounts, contract rights, and general intangibles." The FMI to the Security Agreement explains that ASCS program payments should be listed in Paragraph II, item 4. Please remember that Form FmHA 440-4A, which is the Security Agreement used when crops are the only security, does not mention accounts, contracts rights, or general intangibles. Therefore, if FmHA requires a lien on ASCS program payments, Form FmHA 440-4A will not be used.

(6) Some farmers who obtain production loans and give FmHA a security interest in crops, may decide later to idle part of the acreage and receive cash payments from ASCS. These farmers will not only have less income from crops, but less production expenses than originally planned. These borrowers should be informed that it is necessary to revise their farm plans to reflect the changes in expenses and the source and amount of income. Adjustments may be required by the return or change in use of loan funds.

(7) Agreements with borrowers for the disposition of cash payments should be made on Form FmHA 440-9, "Supplementary Payment Agreement," ASCS assignment forms and/or other forms listed in FmHA Instruction 1941-A, Section 1941.19(e).

(8) Borrowers who do not use ASCS cash payments or funds from the sale of PIK crops in accordance with their farm plan must properly account to FmHA for the funds before receiving additional financial assistance.



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Administrator